

EXHIBIT D

1
2 UNITED STATES DISTRICT COURT
3 SOUTHERN DISTRICT OF CALIFORNIA
4

5 LUCENT TECHNOLOGIES INC.,
6 Plaintiff and Counterclaim-defendant,
7 v.

8 GATEWAY, INC. and GATEWAY
9 COUNTRY STORES LLC, GATEWAY
10 COMPANIES, INC., GATEWAY
11 MANUFACTURING LLC and
12 COWABUNGA ENTERPRISES, INC.,

13 Defendants and Counter-claimants,

14 and

15 MICROSOFT CORPORATION,

16 Intervenor and Counter-claimant,

17
18 MICROSOFT CORPORATION,

19 Plaintiff and Counterclaim-defendant,

20 v.

21 LUCENT TECHNOLOGIES INC.,

22 Defendant and Counter-claimant

23
24 LUCENT TECHNOLOGIES INC.,

25 Plaintiff,

26 v.

27 DELL, INC.,

28 Defendant.

Civil No: 02CV2060-B(CAB)
consolidated with

Civil No: 03CV0699-B (CAB) and
Civil No: 03CV1108-B (CAB)

**ORDER ON MOTIONS FOR SUMMARY
JUDGMENT IN GROUP 2**

1 **I. INTRODUCTION**

2 On November 16, 2006, and November 21, 2006, Lucent and Microsoft,
3 respectively, filed motions for summary adjudication on the Group 2 audio coding patents,
4 U.S. Patent Nos. 5,341,457 (“the ‘457 patent”) and RE 39,080 (“the ‘080 patent”). The
5 parties then filed oppositions and replies thereto and a hearing was held on January 4, 2007.
6 Having considered the parties motions and evidence in support thereof, the Court now rules
7 as explained herein.

8 **II. BACKGROUND**

9 Lucent filed for patent infringement against Dell and Gateway in 2002. The case
10 was originally filed in the Eastern District of Virginia and then transferred to the Southern
11 District of California. Microsoft filed a declaratory judgment against Lucent in 2003. The
12 cases were eventually consolidated. The instant Group 2 audio coding patents are at issue
13 only between Lucent and Microsoft; they have not been asserted against Dell or Gateway.
14 Microsoft’s Windows Media Players WMP10 and WMP11 and the software contained
15 therein for encoding into MP3 format are alleged to infringe one or both of the patents.

16 **A. The ‘457 Patent**

17 The application for the ‘457 patent was filed on December 30, 1988 by inventors
18 James Johnston and Joseph Hall. The ‘457 patent describes a method of processing audio
19 signals to compress them into smaller file sizes. The method eliminates signals that are not
20 heard by the human ear so that those portions are not encoded and file space is saved. This
21 process takes audio signals that have been transformed into the frequency spectrum and
22 assesses which frequency coefficients will be masked by others and thus not heard by the
23 human ear; this sets a “masking threshold.” The signals above the threshold are quantized
24 and encoded. A feature of the method claimed in the ‘457 patent is the use of a “tonality
25 value” to produce a more accurate masking threshold. A tonality value assesses whether
26 the sound is more tone-like or noise-like and then sets the masking threshold accordingly.

B. The '080 Patent

The '080 patent is a reissue patent. The original patent on which it was based is U.S. patent No. 5,627,938 ("the '938 patent") which was applied for on September 22, 1994, issued on May 2, 1997, and assigned to Lucent. On its face, the '938 patent claims to be a continuation of application serial no. 844,811 filed on March 2, 1992. The '938 patent is directed to methods of encoding audio information in the smallest file size with the highest sound quality. To accomplish this goal, the method uses two thresholds, a masking threshold which measures whether introduced noise (from the encoding) is audible and an absolute hearing threshold which measures the quietest sounds that can be heard by a human.

On August 13, 2002, Lucent applied for a reissue of the '938 patent. The reissue, the '080 patent, was granted on April 25, 2006. The claims of the reissue are almost identical to those of the '938 patent; the only change is the deletion of dependent claim 2 in the reissue. Otherwise, the claim language remains essentially the same. The change appears in Lucent's claim of priority date in the '080 patent, which now reads:

This is a reissue application of U.S. Pat. No. 5,627,938 filed Sep. 22, 1994 as application Ser. No. 08/310,898 which is a continuation of application Ser. No. 07/844,811, filed on Mar. 2, 1992, now abandoned, which is a continuation-in-part of application Ser. No. 07/844,967 filed Feb. 28, 1992, now abandoned, which is a continuation of Ser. No. 07/292,598 filed Dec. 30, 1988 now abandoned.

Hence, if given effect, the '080 patent now claims priority back to December 30, 1988. The application to which it claims priority, serial no. 07/292,598 issued as U.S. Patent No. 5,341,457 ("the '457 patent"), the other patent at issue in the instant Group 2 audio coding litigation.

III. ANALYSIS

A. STANDARD OF LAW

Federal Rule of Civil Procedure 56(c) provides that summary judgment is appropriate if the “pleadings, depositions, answers to interrogatories, and admissions on

1 file, together with the affidavits, if any, show that there is no genuine issue as to any
2 material fact and that the moving party is entitled to judgment as a matter of law.” In
3 considering the motion, the court must examine all the evidence in the light most favorable
4 to the non-moving party. Anderson v. Liberty Lobby, Inc., 477 U.S. 242, 257 (1986). If
5 the Court is unable to render summary judgment upon an entire case and finds that a trial is
6 necessary, it shall if practicable grant summary adjudication for any issues as to which,
7 standing alone, summary judgment would be appropriate. Fed. R. Civ. P. 56(d).

8 When the moving party does not bear the burden of proof, summary judgment is
9 warranted where the moving part demonstrates an absence of facts to support the non-
10 moving party’s case and where the non-moving party responding to the motion fails “to
11 make a sufficient showing on an essential element of her case with respect to which she has
12 the burden of proof.” Celotex Corp. v. Catrett, 477 U.S. 317, 323, 325 (1986).

13 **B. Lucent’s motion for summary adjudication on the ‘457 patent**

14 **1. No Invalidity for indefiniteness**

15 Lucent moves for summary adjudication that the claims of the ‘457 patent are not
16 invalid under §112 ¶2 for indefiniteness. Section 112 paragraph 2 requires the claims of a
17 patent to point out and distinctly claim “the subject matter which the applicant regards as
18 his invention.” 35 U.S.C. §112. Lucent contends that Microsoft’s only evidence on which
19 it rests its allegations is the testimony of inventor James Johnston offering a purported
20 understanding of the invention that differs from the claims. In response, Microsoft argues
21 that it has offered not only the inventor’s testimony but also expert opinion that the ‘457
22 specification does not teach the association of a tonality value with each frequency group,
23 as set forth in the claims.

24 Having considered these contentions and the evidence in support thereof, the Court
25 finds there is no genuine issue of material fact regarding invalidity. In Solomon v.
26 Kimberly-Clark Corp., the Federal Circuit concluded that “that inventor testimony,
27 obtained in the context of litigation, should not be used to invalidate issued claims under
28

section 112, paragraph 2.” 216 F.3d 1372 (Fed. Cir. 2000). Thus, James Johnston’s testimony is insufficient to support a claim for invalidity. Additionally, Microsoft’s expert opinion goes towards lack of written disclosure under §112 ¶ 1, rather than indefiniteness under §112 ¶ 2. Therefore, Lucent’s motion for summary adjudication on this ground is **GRANTED**.

2. No Patent Exhaustion

Under the doctrine of patent exhaustion, often referred to as the “first sale” doctrine,” once a patentee has sold a patented product without any further restrictions, the patentee has parted with his exclusive rights. Mallinckrodt, Inc. v. Medipart, Inc., 976 F.2d 700, 707 (Fed. Cir. 1992). In its fifteenth affirmative defense, Microsoft alleges that it bought the accused software from German corporation Fraunhofer Gesellschaft (“Fraunhofer”) which allegedly had rights from AT&T (Lucent’s predecessor), thus giving rise to patent exhaustion..

This is not the first time this issue has been raised before the Court: In July 2005, the Court heard and denied Microsoft's motion for partial summary judgment that the Fraunhofer MP3 codecs used by Microsoft cannot infringe due to patent exhaustion.¹ At the time the Court ruled, there remained an outstanding issue as to whether an additional written agreement existed other than the 1989 Joint Development Agreement ("JDA") between Fraunhofer and AT&T that would permit Fraunhofer the right to produce and sell the software performing the method of the '457 patent. In the instant motion, Lucent argues since the Court has rejected this defense, Microsoft should be precluded from asserting it any further. In opposition, Microsoft contends that although there is no other agreement, parole evidence raises an issue of material fact as to the intent of the JDA.

Having considered these arguments, the Court finds that the JDA on its face is not ambiguous. It sets forth no right for Fraunhofer to sell the technology of the '457 patent.

¹ Order July 27, 2005 [docket no. 322].

1 Moreover, even if this Court were to take into consideration the parole evidence offered, it
2 would not raise a genuine issue of material fact: the majority of the evidence is testimony
3 taken many years after the JDA was formed and after other interests have intervened.
4 Additionally, some of the proffered evidence does not even speak to the technology of the
5 '457 patent but only to the parties' intent concerning technology of U.S. Patent No.
6 5,627,938, (the predecessor to the '080 patent). Therefore, Lucent's motion for summary
7 adjudication to preclude Microsoft from going forward on the defense of patent exhaustion
8 is **GRANTED**.²

9 3. No Implied License

10 To prevail on an implied license theory, Microsoft must prove that "the
11 circumstances of the sale . . . plainly indicate that the grant of a license should be inferred."
12 LG Electronics, Inc. v. Bizcom Electronics, Inc., 453 F.3d 1364, 1369 (Fed Cir. 2006).

13 Lucent contends, similar to its argument regarding patent exhaustion, that the Court
14 has already addressed this issue and concluded that there was no implied license.
15 Microsoft responds that its new evidence pertaining to patent exhaustion also raises issues
16 of material fact with respect to implied license. Having considered the agreements and
17 supporting evidence, for similar reasons to those discussed above, Lucent's motion to
18 preclude Microsoft from going forward on the defense of implied license is **GRANTED**.

19 4. No Equitable estoppel/implied license/waiver

20 To prevail on a defense of equitable estoppel, the defendant must demonstrate: "1)
21 the patentee, through misleading conduct, leads the alleged infringer to reasonably infer
22 that the patentee does not intend to enforce its patent against the alleged infringer, 2) the
23 alleged infringer relies on that conduct, and 3) due to its reliance, the alleged infringer will

24
25 ² Additionally, patent exhaustion would not apply to many of the claims at issue because they
26 are method claims. The first sale doctrine is inapplicable where an accused device infringes methods
27 claims. LG Electronics, Inc. V. Bizcom Electronics, 453 F.3d 1364, (Fed. Cir. 2006) (stating that "the
28 sale of a device does not exhaust a patentee's rights in its method claims" and citing to Glass
Equipment Dev. v. Besten, Inc., 174 F.3d 1337, 1342 n.1 (Fed. Cir. 1999) and Bandag, Inc. v. Al
Bolser's Tire Stores, Inc., 750 F.2d 903, 924 (Fed. Cir. 1984)).

1 be materially prejudiced if the patentee is allowed to proceed with its claim.” Ecolab, Inc.
2 v. Envirochem, Inc., 264 F.3d 1358, 1371 (Fed. Cir. 2001). Waiver/implied license arises
3 where language or conduct by the patentee leads another to “properly infer that the owner
4 consents to his use of the patent in making or using it, or selling it.” Winbond Electronics
5 Corp. v. International Trade Com'n, 262 F.3d 1363, 1374 (Fed. Cir. 2001). Both of the
6 defenses share the element of reliance.

7 Here, Lucent contends that Microsoft has failed to provide evidence of any conduct
8 or any reliance that would constitute equitable estoppel or waiver. In response, Microsoft
9 offers evidence of Lucent’s long silence on Microsoft’s products and a double-hearsay
10 statement allegedly made by someone at Lucent to someone at Microsoft that Microsoft
11 was not on Lucent’s radar screen with regard to its patent portfolio.³ This evidence does
12 not satisfy the burden of presenting some evidence of a basis for equitable estoppel. See
13 A.C. Aukerman Co. v. R.L. Chaides Const. Co., 960 F.2d 1020, 1043 (Fed. Cir. 1992)
14 (“silence alone will not create an estoppel unless there was a clear duty to speak.”);
15 Winbond Electronics Corp. v. International Trade Com'n, 262 F.3d 1363, 1374 (Fed. Cir.
16 2001) (alleged infringer must know about the patent and reasonably infer acquiesce to the
17 infringement from the patentee’s acts or statements to demonstrate waiver/implied license);
18 but see Hynix Semiconductor Inc. v. Rambus Inc., 2006 WL 1867724 (N.D.Cal. 2006) (a
19 party’s affirmative representation that it has no patents covering the alleged infringer’s
20 activities may be sufficient to apply equitable estoppel where alleged infringer had no
21 knowledge of patentee’s patent).

22 But, even if the above evidence were enough to require further analysis, Microsoft
23

24 ³ The alleged statement (that Microsoft was not on Lucent’s radar screen with respect to
25 Lucent’s patent portfolio) was apparently made by an unidentified person at Lucent to Mr. Eppenauer,
26 a Microsoft employee, who then relayed the statement to Mr. Weresh, Microsoft’s 30(b)(6) witness.
27 To further complicate the situation, the parties agreed not to depose Mr. Eppenauer and not to
28 designate him as a witness for trial. Hence, the statement, although purportedly a party admission by
Lucent, will not be admissible at trial because the witness who heard the alleged statement will not
testify.

1 fails to make a sufficient showing of reliance to raise a genuine issue of material fact; it
2 offers nothing more than conclusory statements of what it *might* have done but no evidence
3 that it actually did rely on Lucent's conduct or statement. In fact, it is not disputed that the
4 only sworn testimony on the subject of reliance came from two tendered Microsoft
5 witnesses who both testified that they did not rely on any assurances from Lucent.
6 Therefore, there is no material issue of fact on reliance and Lucent's motion on Microsoft's
7 defenses of equitable estoppel/waiver/implied license is **GRANTED**.

8 **5. No Laches**

9 For the defense of laches, "a defendant has the burden to prove two factors: 1. the
10 plaintiff delayed filing suit for an unreasonable and inexcusable length of time from the
11 time the plaintiff knew or reasonably should have known of its claim against the defendant,
12 and 2. the delay operated to the prejudice or injury of the defendant." Aukerman, 960 F.2d
13 at 1032. Laches, however, will not bar post-filing damages or injunctive relief. Id. at 1040.
14 "Laches bars relief on a patentee's claim *only* with respect to damages accrued prior to
15 suit." Id. at 1041. In the instant case Lucent does not seek any pre-filing damages, and
16 therefore laches is inapplicable; on this ground, Lucent's motion is **GRANTED**

17 **6. No Patent misuse**

18 Patent misuse addresses whether "the patentee has impermissibly broadened the
19 'physical or temporal scope' of the patent grant with anticompetitive effect." B. Braun
20 Medical, Inc. v. Abbott Laboratories, 124 F.3d 1419, 1426 (Fed. Cir. 1997). Lucent asserts
21 that Microsoft has failed to provide sufficient evidence to support this defense. Although
22 Microsoft argues in response that Lucent has attempted to license the '457 patent packaged
23 with patents it knew to be invalid and/or co-owned, Microsoft does not further elaborate on
24 any evidence that supports this contention, but only offers conclusory statements.
25 Therefore, Microsoft has failed to raise a genuine issue of fact sufficient to preclude
26 summary judgment; Lucent's motion is **GRANTED**.

1 7. **Availability of post-1987 §102(a),(e) art**

2 This issue was briefed in conjunction with Lucent's motion on the '080 patent and is
3 therefore addressed in the relevant section below; for similar reasons as explained therein,
4 the motion as it pertains to the '457 patent is **DENIED**.

5 8. **Date of actual notice as Apr. 8, 2003**

6 Microsoft filed for declaratory judgment on April 8, 2003. One month later, on May
7 9, 2003, Lucent answered Microsoft's complaint and cross-complained for patent
8 infringement. Lucent asserts that April 8 is the date of actual notice of infringement and
9 thus the date to trigger damages. Microsoft responds that the notice must come directly
10 from the patentee and hence, May 9 is the triggering date.

11 The Federal Circuit has held generally, that "notice must be an affirmative act on the
12 part of the patentee which informs the defendant of infringement . . . [and it] must focus on
13 the action of the patentee, not the knowledge of the infringer." Lans v. Digital Equipment
14 Corp., 252 F.3d 1320, 1327 (Fed. Cir. 2001). Furthermore, "the actual notice requirement
15 of § 287(a) is satisfied when the recipient is informed of the identity of the patent and the
16 activity that is believed to be an infringement, accompanied by a proposal to abate the
17 infringement" SRI Intern., Inc. v. Advanced Technology Laboratories, Inc., 127 F.3d
18 1462, 1470 (Fed. Cir. 1997).⁴

19 A declaratory judgment does not meet these standards. Its purpose is a declaration
20 of no infringement; the party bringing the action for declaratory relief believes that the
21 activity in question is *not* an infringement. It is not an action taken by the patentee. A
22 declaratory judgment also is not proposal to abate the infringement, but rather a statement
23 of intent by the party filing the action to continue the activity in question. Therefore,
24

25 ⁴ 35 U.S.C § 287(a) refers to the recovery of damages by a patentee that has failed to mark and
26 where the patentee must then give actual notice of the alleged infringement. While marking is not at
27 issue here, neither party is contending that damages should begin before Microsoft received actual
28 notice, and thus it is only the definition of "actual notice" that remains at issue.

1 Lucent's first affirmative action as patentee, notifying Microsoft that its activity is believed
2 to be an infringement triggers actual notice. This date is May 9, 2003, the date of Lucent's
3 answer and cross-complaint for infringement to Microsoft's declaratory complaint.
4 Therefore, Lucent's motion to set the date of notice at April 8, 2003, is **DENIED**.

5 **C. Microsoft's motion for summary adjudication on the '457 patent**

6 **1. No infringement by the HQ or Cyberlink encoder**

7 Microsoft contends that the HQ encoder, the accused infringing software used in
8 WMP10, does not infringe the '457 patent for two reasons: (1) the HQ encoder is never
9 used and therefore cannot infringe; and (2) the software used in the HQ encoder does not
10 meet the limitations of the claimed method of the '457 patent.

11 With respect to the first point, Microsoft argues that Lucent's expert Dr. Polish, has
12 only speculated as to circumstances in which the HQ encoder might function but has not
13 demonstrated nor witnessed any such function and has admitted so in his testimony.
14 Therefore, Microsoft concludes that since the WMP10 software exclusively employs other
15 modes of encoding, the software cannot infringe the methods of the '457 patent. See
16 Dynacore Holdings Corp. v. U.S. Philips Corp., 363 F.3d 1263, 1276 (Fed. Cir. 2004)
17 ("mere sale of a product capable of substantial non-infringing uses does not constitute
18 indirect infringement").⁵ However, Lucent contends that there is undisputed evidence that
19 the code running the HQ encoder as a backup is present in all copies of the WMP10
20 software, that Microsoft intentionally placed the code into the software and that Dr. Polish
21 has identified at least four conditions based on the software code that will trigger that HQ
22 encoder. Thus, according to Lucent, this circumstantial evidence is a sufficient to raise a
23 genuine issue of material fact to preclude summary judgment. See Moleculon Research
24 Corp. v. CBS, Inc., 793 F.2d 1261, 1272 (Fed. Cir. 1986) (circumstantial evidence may
25 support a claim of infringement without direct evidence).

26
27 ⁵ Lucent has only accused Microsoft of indirect infringement.
28

1 With respect to Microsoft's second ground, Microsoft, based primarily on the report
2 of its expert Dr. Jayant, argues that the HQ encoder and cyberlink encoder use two separate
3 sets of coefficients to transform audio signals into the frequency domain where the claimed
4 method uses one and that in the accused software, these two sets are mixed and matched in
5 a way that is not permitted by the claims or by the '457 specification. Lucent responds with
6 a number of reasons why the claim language of the '457 patent encompasses the accused
7 devices: the open language of the claims, the use of the term "associated," and the
8 availability of infringement under the doctrine of equivalents.

9 Having considered each of these arguments and the evidence in support thereof, the
10 Court finds that sufficient issues of triable fact remain to preclude summary judgment.
11 Thus, on both grounds, Microsoft's motion is **DENIED**.

12 2. Invalidity - anticipation

13 Microsoft moves for summary adjudication that the '457 patent is invalid as
14 anticipated under 35 U.S.C. §102(b) by a Danish patent application nicknamed "Krahe II,"
15 alleged to be publically available in the Danish patent office as of December 28, 1987.
16 This date is more than one year before the filing of the '457 patent on December 30, 1988,
17 and thus qualifies as prior art under §102(b). According to Microsoft, Krahe II generates
18 tonality and masking thresholds and uses them in the same way as taught by the '457
19 patent.

20 Lucent opposes the motion on many grounds: (1) Microsoft has not shown that
21 Krahe II is a printed publication for purposes of §102(b); (2) there is no proof that the
22 German language Krahe II reference was part of the Danish file history; (3) Microsoft has
23 not performed an element by element analysis to show that Krahe II discloses each and
24 every element of the '457 claims; and (4) there is a dispute between the parties' experts as
25 to what Krahe II discloses relative to elements (b) and (c) of claim 1. Having considered
26 each of these reasons and Microsoft's reply thereto, the Court finds there are genuine issues
27 of material fact, with respect to all of the issues raised, especially in regards to the dispute
28

1 between the experts as to what Krahe II discloses, which preclude summary adjudication
2 on this issue. Therefore, Microsoft's motion is **DENIED**.

3 **D. Cross-motions for summary adjudication on the '080 patent**

4 Lucent and Microsoft filed motions for summary adjudication on the '080 patent.
5 On several issues, cross-motions were filed on identical issues. These are addressed first
6 below; the issues unique to each motion then follow.

7
8 **1. No broadening reissue/ No invalidity for lack of an error warranting reissue**

9 In contention between the parties is whether the '080 is a broadening reissue. The
10 claims of the '080 reissue and the original '938 patent are identical; only the claim of
11 priority differs between the two.

12 Simply a change in a claim of priority will not establish a broadening reissue: "[A]
13 reissue application filed for the sole purpose of perfecting a claim to priority does not
14 broaden the scope of the claims of the original patent and is not in contravention of the
15 requirements of section 251 even though filed more than two years after the patent grant."
16 Fontijn v. Okamoto, 518 F.2d 610, 621 (Cust. & Pat. App. 1975) (holding acknowledged in
17 Medrad, Inc. v. Tyco Healthcare Group LP, 466 F.3d 1047, 1051 (Fed. Cir. 2006)).
18 However, a reissue may not be proper where it is obtained through deceptive intent. See 35
19 U.S.C. § 251.

20 Here, although Microsoft has made allegations of ulterior motives as to why Lucent
21 may have filed for the '080 reissue, as Lucent points out, Microsoft has failed to provide
22 any evidence to raise any genuine issue of fact as to this defense. Moreover, as a matter of
23 law, the change in priority date alone is an insufficient basis. Therefore, the Court
24 **GRANTS** Lucent's motion on no broadening reissue and **DENIES** Microsoft's cross-
25 motion. For similar reasons, the Court **GRANTS** Lucent's related motion for no invalidity
26 for lack of an error warranting reissue.

2. Recapture

Microsoft alleges that Lucent has attempted to recapture subject matter in the '080 reissue that it surrendered in the prosecution of the '938 patent.

A patentee may not use a reissue application to recapture "subject matter that was surrendered during the prosecution of the original patent in an effort to obtain allowance of the original claims." Medtronic, Inc. v. Guidant Corp., 465 F.3d 1360, 1372 (Fed. Cir. 2006). Arguments, even without accompanying claim amendments, may be sufficient to evidence surrender of subject matter. Hester Industries, Inc. v. Stein, Inc., 142 F.3d 1472, 1481 (Fed. Cir.1998). Explicit statements made in the public record, *i.e.*, in the patent itself or its prosecution history, may be binding on the patentee. See Tyler Refrigeration v. Kysor Indus. Corp., 777 F.2d 687, 690 (Fed. Cir. 1985) (statement to the USPTO that a particular patent was "the most pertinent prior art" was binding on the patentee in subsequent litigation); Constant v. Advanced Micro-Devices, Inc., 848 F.2d 1560, 1570 (Fed. Cir. 1988) ("A statement in a patent that something is in the prior art is binding on the applicant and patentee for determinations of anticipation and obviousness.").

The evidence demonstrates that Lucent made admissions within the '938 patent specification and its file history that now may not be retracted in the '080 reissue. Specifically, the specification of the '938 patent and the '080 reissue state:

As in the case of the system illustrated in FIG. 1, the system of FIG. 2, without more, may equally describe certain prior art systems, e.g., the system disclosed in the Brandenburg, et al U.S. Pat. No. 5,040,217. However, with the extensions and modifications described herein, important new results are obtained.

(emphasis added). Additionally, in the prosecution of the '938 patent, in response to a rejection over the admitted FIG.2 as prior art, the patentee did not dispute that FIG.2 was prior art but instead asserted that the claim had additional elements not disclosed in the prior art. These statements are binding on Lucent and to the extent that Microsoft's motion seeks to prevent Lucent from withdrawing these admissions, Microsoft's motion is **GRANTED.**

1 However, in regards to the affirmative defense of recapture, Microsoft's contentions
2 do not fit neatly within this defense. To determine whether recapture applies and the
3 reissue patent is therefore invalid, the Court applies a three-step analysis: (1) whether and
4 in what respect the claims of the reissue are broader than the original patent; (2) whether
5 the broader aspects were surrendered in the earlier prosecution; and (3) whether the reissue
6 claims are narrower in other respects and thus avoid the recapture rule. North American
7 Container, Inc. v. Plastipak Packaging, Inc., 415 F.3d 1335, 1349 (Fed. Cir. 2005). Here,
8 because the claims remained unchanged between the original patent and the reissue, this
9 three step analysis is difficult to apply. Microsoft argues that Lucent is allegedly
10 attempting to broaden the scope of the '080 reissue by disclaiming its prior statements.
11 While these statements are binding on Lucent, this allegation, without more, is not
12 sufficient for a defense of recapture. Furthermore, although Microsoft argues that the
13 accused devices do not infringe the '080 claims but practice only the disclaimed prior art,
14 this argument goes more towards non-infringement than the defense of recapture.⁶ Thus,
15 with respect to recapture as an affirmative defense which would render the '080 reissue
16 invalid, issues of genuine material fact remain; therefore, Microsoft's and Lucent's
17 motions are both **DENIED**.

18 3. Intervening Rights

19 35 U.S.C. § 252 grants a party claiming intervening rights to make, use and sell a
20 product where the grant of a reissue patent would abridge or affect the right of the party
21 already in existence. Intervening rights are generally not granted where the product
22 infringes a valid claim of the reissued patent which also was in the original patent. See 35
23 U.S.C. § 252. However, intervening rights is an equitable issue and the Federal Circuit's
24 predecessor, the Court of Customs and Patent Appeals, addressed the applicability of

25
26 ⁶ While the prior statements made in the specification and prosecution of the '938 patent may
27 have had a narrowing effect on the claims, Microsoft has not provided sufficient evidence that Lucent
28 is now disclaiming these statements in the '080 and how such a disclaimer broadens the claims of the
'080 patent relative to the claims of the original '938 patent.

1 intervening rights to a situation in which a reissue perfected a priority claim:

2 We think that it is altogether possible that Section 252 can be read broadly enough
3 to protect a deserving third party in this kind of situation. In any event a court sitting
4 in equity, in a dispute between a patentee who had received a reissue patent with the
5 priority right included and an infringer who had, with no warning of any kind,
6 honestly relied on the original patent without the priority right, could justly
7 accommodate these conflicting claims in the light of the particular circumstances.

8 Fontijn v. Okamoto, 518 F.2d 610, 623 -624 (Cust. & Pat. App. 1975) (quoting Comr.
9 Pats. v. State of Israel, 400 F.2d 789, 791(D.C. Cir. 1968).

10 Given the similar situation here, intervening rights may be applicable. At this
11 juncture however, Microsoft has not made a sufficient showing as to an abridgement of
12 rights and its reliance to merit a grant of summary adjudication. Therefore, Microsoft's
13 motion is **DENIED**. Additionally, since questions of fact remain with respect to these
14 issues, Lucent's motion also is **DENIED**.

15 **D. Lucent's motion for summary adjudication on the '080 patent**

16 **1. Date of priority**

17 Lucent moves the Court for summary adjudication that the claims of the '080 patent
18 are entitled to a priority date of December 30, 1988. The '080 reissue patent is a
19 continuation-in-part (CIP) of the '457 patent, filed on December 30, 1988.

20 Claims in a CIP do not automatically receive the priority date as claimed for the
21 application. "The test for sufficiency of support in a parent application is whether the
22 disclosure of the application relied upon reasonably conveys to the artisan that the inventor
23 had possession at that time of the later claimed subject matter." Wang Laboratories, Inc. v.
24 Toshiba Corp., 993 F.2d 858, 865 (Fed. Cir. 1993). Hence, different claims within a CIP
25 may lay claim to different priority dates, depending on which application of the priority
26 chain provides sufficient support for each claim. Augustine Medical, Inc. v. Gaymar
27 Industries, Inc., 181 F.3d 1291, 1302-03 (Fed. Cir. 1999).

28 For the claims of the '080 patent to claim priority to the 1988 date, Lucent must
demonstrate that the '457 disclosure fully supports each of the '080 claims. Although

1 Lucent identifies various places in the '457 patent specification that apparently lend support
2 for each of the limitations of independent claim 1, Microsoft offers expert testimony
3 disputing this contention. Given the debate between the experts as to what is disclosed in
4 the '457 patent and what one of skill in the art would recognize as disclosed therein,
5 genuine issues of material fact remain. Therefore, Lucent's motion is **DENIED**.

6 2. Availability of prior art

7 Lucent moves the Court for summary adjudication that no references after December
8 30, 1988, are prior art to the '080 patent. Because this issue is intimately tied to the above
9 motion pertaining to the priority date of the claims of the '080 patent and since the material
10 issues of fact preclude summary adjudication on the priority date, the motion as it pertains
11 to availability prior art also is **DENIED**.

12 3. Failure to name a correct inventor/necessary party

13 Lucent moves the Court for summary adjudication to preclude Microsoft's
14 affirmative defense of invalidity under 35 U.S.C. §102(g) for failure to name a correct
15 inventor. According to Lucent, if the '080 claims have a December 30, 1988 priority date,
16 the assertion by Microsoft that Dr. Anibal Ferreira is an unnamed inventor must fail
17 because Dr. Ferreira did not begin working with the named inventor of the '080 patent, Mr.
18 Johnston, until sometime after the claimed priority date. Based on the denial of the motion
19 on priority date, this motion too is **DENIED**.⁷

20 Lucent also has moved for summary adjudication to preclude Microsoft's
21 affirmative defense that Dr. Ferreira and Fraunhofer are necessary parties based on their
22 alleged co-ownership of the '080 patent. Lucent rests its arguments solely on the issue of
23 the priority date, arguing that because the '080 patent claims priority to December 30,
24

25 ⁷ Even if the decision for this issue did not rest solely on its linkage to the motion on priority
26 date, Lucent's motion to preclude this affirmative defense would still fail. Microsoft has provided
27 evidence that raises issues of triable fact as to whether Dr. Ferreira is an inventor, including notebook
28 records and alleged contributions to the drafting of the original '938 patent that later became the '080
reissue.

1 1988, this pre-dates the AT&T-Fraunhofer collaboration and thus the patent cannot be co-
2 owned. Because, as explained above, the Court denies summary adjudication on the issue
3 of priority date, Lucent's motion to preclude Microsoft's co-ownership defense also is
4 **DENIED.**

5 **4. No patent exhaustion/implied license**

6 Lucent's motion to preclude Microsoft from going forward on these defenses are
7 common to the '457 and '080 summary judgment motions. For the same reasons as
8 discussed above with respect to the '457 patent, Lucent's motion to preclude Microsoft
9 from going forward on the defenses of patent exhaustion and implied license with respect
10 to the '080 patent is **GRANTED.**

11 **5. Invention date**

12 Lucent contends that the invention date of the claims in the '080 patent is January
13 1987,⁸ based on evidence of reduction to practice of the invention by named inventor
14 Johnston. According to Lucent, Johnston recorded a description of the "Perpetual
15 Transform Coder" and its testing on April 2, 1987. The Perpetual Transform Coder
16 allegedly performs all of the steps of the methods claimed in the '080 patent. Microsoft
17 contends that summary adjudication on this issue is inappropriate because Lucent has not
18 offered any evidence on this issue that would independently corroborate the evidence from
19 Johnston.

20 "The person who first conceives, and, in a mental sense, first invents may date his
21 patentable invention back to the time of its conception, if he connects the conception with
22 its reduction to practice by reasonable diligence on his part, so that they are substantially
23 one continuous act." Mahurkar v. C.R. Bard, Inc., 79 F.3d 1572, 1577 (Fed. Cir. 1996)
24 (internal quotes omitted). However, uncorroborated evidence from the inventor, such as
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26 ⁸ Lucent does not provide an exact date in January 1987; it relies on testimony of the inventor
27 that he made an embodiment of the invention, the Perpetual Transform Coder about three months
28 before his technical memo recorded on April 2, 1987.

1 inventor testimony and unwitnessed notebooks, is not sufficient to establish reduction to
2 practice. See Medichem, S.A. v. Rolabo, S.L., 437 F.3d 1157, 1169-70 (Fed. Cir. 2006).
3 Since Lucent has offered exclusively inventor-based evidence (or at least questions of fact
4 remain as to its corroboration), this evidence is insufficient to support summary
5 adjudication. Therefore, Lucent's motion is **DENIED**.

6 **6. Availability of post-1987 §102(a),(e) art**

7 Based on its contention of a 1987 invention date, Lucent moves the Court for
8 summary adjudication that certain references cannot be prior art since they were published
9 and/or filed after 1987. These include a Brandenburg paper entitled "Low Bit Rate Codecs
10 For Audio Signals Implementation in Real Time" (published November 1988), U.S. Patent
11 No. 4,942,607 (filed on February 3, 1988), and U.S. Patent No. 5,924,060 and its foreign
12 counterparts (filed March 10, 1988). Since, as discussed above, the motion as to the 1987
13 invention date is denied, the Court also **DENIES** the motion regarding these prior art
14 references.

15 **7. No anticipation**

16 Lucent moves the Court for summary adjudication that the "OCF," "ATC," and
17 "MSC" references do not anticipate the '080 patent because they do not disclose an
18 absolute hearing threshold (AHT). The two sets of OCF (Optimum Coding in the
19 Frequency Domain) references at issue are U.S. Patent No. 5,924,060 ("the '060 patent")
20 and its foreign WIPO counterpart and an article entitled "OCF- A New Algorithm for High
21 Quality Sound Signals" ("the OCF Paper"). With respect to the MSC/ATC systems, there
22 are also two sets of references at issue, Dr. Krahe's German Patent No. 3506912 and its
23 EPO counterparts and German Patent No. 3621513 and its EPO counterparts (collectively,
24 "Krahe II").

25 At the heart of this issue is a dispute between Lucent's and Microsoft's experts as to
26 whether the prior art discloses an AHT as construed by the Court. Additionally, the parties
27 and their experts dispute whether the references themselves disclose the subject matter of
28

1 the claims or whether some actual implementation of the algorithms disclosed in the
2 references is anticipatory. The issue comes down to the battle of the experts. Therefore, the
3 existing issues of genuine material fact preclude summary adjudication; Lucent's motion is
4 **DENIED.**

5 **8. No invalidity for indefiniteness**

6 The arguments presented by the parties mirror those presented with respect to this
7 issue in the context of the '457 patent. Therefore, for the reasons explained therein,
8 Lucent's motion as it pertains to the '080 patent is **GRANTED.**

9 **9. No Equitable Estoppel/Waiver/Implied License, Laches, and**
10 **Patent Misuse**

11 Lucent's and Microsoft's arguments pertaining to these issues are the same as raised
12 in reference to the '457 patent. For the same reasons as discussed with reference to the
13 '457 patent, Lucent's motions to preclude these affirmative defenses with respect to the
14 '080 patent are **GRANTED.**

15 **10. Date of actual notice as Apr. 8, 2003**

16 Similar to the motions made with respect to the '457 patent, Lucent moves the Court
17 to grant summary adjudication that April 8, 2003 is the date of actual notice of
18 infringement and thus the date to trigger damages for infringement of the '080 patent.
19 Microsoft responds that the notice must come directly from the patentee and hence, May 9,
20 2003, is the triggering date. For the reasons, explained with reference to the '457 patent,
21 Lucent's motion is **DENIED.**

22 **E. Microsoft's motion for summary adjudication on the '080 patent**

23 **1. No Infringement by fast encoder and cyberlink**

24 Microsoft moves the court to grant summary judgment of no infringement of the
25 '080 patent by the accused devices, Windows Media Players 10 and 11 (WMP10, WMP11,
26 respectively) and the software therein, the fast encoder and a "plug-in" software cyberlink,
27 which perform the steps of encoding audio files into MP3 files. The central issue in dispute
28

1 between the parties is whether the accused products use an absolute hearing threshold
2 (AHT) as required by the claims of the '080 patent. Each side has presented expert
3 testimony supporting its position. Moreover, although Microsoft argues for several reasons
4 why the opinion of Lucent's expert Dr. Jayant should not be given any weight, this
5 argument is not sufficient to sustain summary adjudication of no infringement; credibility
6 determinations and the weight particular testimony should be accorded are left to the trier
7 of fact. See T.W. Elec. Service, Inc. v. Pacific Elec. Contractors Ass'n, 809 F.2d 626, 631
8 (9th Cir.1987) ("the court may not assess the credibility of this evidence nor weigh against
9 it any conflicting evidence presented by the moving party"). Thus, given the dispute
10 between the experts' infringement analyses, genuine issues of material fact remain.

11 Additionally, Microsoft's reliance on the recent case, Dolby Technologies, Inc. v.
12 Lucent Technology, Inc. in the Northern District as a basis for non-infringement is
13 similarly unavailing.⁹ Although Dolby dealt with allegations of infringement of the '938
14 patent (the predecessor to the '080 reissue), there is no collateral estoppel; the products at
15 issue there were Dolby's, not the Microsoft products that stand accused here. Therefore,
16 Microsoft's motion is **DENIED**.

17 2. No Infringement by the HQ encoder

18 Microsoft raises arguments in parallel to those raised with the respect to the '457
19 patent as to why the HQ encoder does not infringe the '080 patent. First, Microsoft
20 contends that the HQ encoder cannot infringe because it is never used. Second, Microsoft
21 contends that it is impossible for the HQ encoder to meet limitations (b) and (d) of claim 1
22 because it does not use a set of frequency coefficients but rather uses multiple frequency
23 coefficients that are "mixed and matched." As with the '457 patent, Lucent has raised
24 sufficient issues of triable fact to preclude summary adjudication on these grounds.
25 Therefore, Microsoft's motion is **DENIED**.

26
27 ⁹ Dolby Technologies, Inc. v. Lucent Technology, Inc., No. C 01-20709 (N.D. Cal.
28 2005)(Order granting summary judgment of non-infringement, Apr. 22, 2005).

3. Invalidity- anticipation

“[A] moving party seeking to invalidate a patent at summary judgment must submit such clear and convincing evidence of invalidity so that no reasonable jury could find otherwise.” Eli Lilly and Co. v. Barr Laboratories, Inc., 251 F.3d 955, 962 (Fed. Cir. 2001). For the defense of anticipation, the defendant must show that a reference must discloses every element of the claim at issue and enables one of skill in the art to make the disclosed subject matter. PPG Industries, Inc. v. Guardian Industries Corp., 75 F.3d 1558, 1566 (Fed. Cir.1996). The disclosure need not be explicit: “A reference anticipates a claim if it discloses the claimed invention such that a skilled artisan could take its teachings in combination with his own knowledge of the particular art and be in possession of the invention.” In re Graves, 69 F.3d 1147, 1152 (Fed. Cir. 1995). Where extrinsic evidence is used to support anticipation, it “must make clear that the missing descriptive matter is *necessarily* present in the thing described in the reference, and that it would be so recognized by persons of ordinary skill.” Continental Can Co. USA, Inc. v. Monsanto Co., 948 F.2d 1264, 1268 -69 (Fed. Cir. 1991) (emphasis added).

Here, Microsoft contends that Dr. Brandenburg’s 1987 OCF Paper (“the OCF paper”) anticipates the ‘080 patent. Microsoft argues that although the term AHT is not explicitly mentioned, it is implied where the OCF Paper refers to a masking threshold and “reducing irrelevancy by using psychoacoustical facts.” According to Microsoft’s expert Dr. Schroeder, one of ordinary skill in the art would understand the OCF Paper to include both a masking threshold and an AHT.

Lucent’s response, however, raises sufficient issues of genuine material fact that an AHT is not *necessarily* present in the OCF Paper and thus there is no anticipation. Lucent points to references which it claims disclose a masking threshold independent from an AHT, as well as testimony from two experts, Drs. Brandenburg and Schroeder, stating that the OCF Paper does not describe the use of an AHT. Therefore, the Court **DENIES** Microsoft’s motion.

4. Invalidity - obviousness

Microsoft contends that the combination of the OCF Paper, the knowledge of one skilled in the art and the motivation to add an AHT provided by “the very nature of the problem that both the OCF and the ‘080 patent sought to solve” render the ‘080 patent obvious.

To demonstrate obviousness, Microsoft must show that one of ordinary skill in the art would have been motivated to select and combine the prior art to arrive at the claimed invention at the time the invention is made. In re Kahn, 441 F.3d 977, 986 (Fed. Cir. 2006). The latter phrase, “at the time the invention was made” protects against the use of hindsight analysis. Id.

To determine the relevant art in the consideration of obviousness, “the court must look to the nature of the problem confronting the inventor.” Bancorp Services, L.L.C. v. Hartford Life Ins. Co., 359 F.3d 1367, 1375 (Fed. Cir. 2004). Here, although both parties admit an AHT was known, Lucent disputes that it was known in the *relevant* art. According to Lucent, an AHT was known in the field of psychoacoustics, not audio coding. This assertion seems belied by the OCF Paper itself which refers to the use of psychoacoustical facts in audio coding to address the problem of redundancy. Hence, this point appears not to raise a genuine issue of material fact.

As for motivation to combine, the parties and their experts strongly disagree. Microsoft points to references in the OCF paper as well as the nature of the problem that would motivate the combination. Lucent disputes this evidence, arguing that the references in the OCF paper do not speak to the use of an AHT as claimed in the '080 patent and that Microsoft has applied impermissible hindsight to the obviousness analysis. In sum, Microsoft's proffered evidence on this issue falls short of its clear and convincing burden and additionally, Lucent has pointed to sufficient issues of triable fact to preclude summary adjudication. Microsoft's motion is therefore **DENIED**.

5. Double patenting

Obvious-type double patenting addresses whether the claims of the patent at issue are patentably distinct from the claims of an earlier-filed commonly-owned patent. In re Longi, 759 F.2d 887, 892 (Fed. Cir.1985). “[T]he fundamental reason for the rule [of obviousness-type double patenting] is to prevent unjustified timewise extension of the right to exclude granted by a patent no matter how the extension is brought about.” Eli Lilly and Co. v. Barr Laboratories, Inc., 251 F.3d 955, 968 (Fed. Cir.2001). To assess obvious-type double patenting, the court construes the claims of the two patents and determines the differences between the claims of the earlier patent and the one at issue. Then the court determines whether these differences render the later claims patentably distinct (*i.e.*, not anticipated or obvious by the earlier claims). Id. If the claims of the later patent are not patentably distinct, double patenting exists and the claims are invalid. Id.

Here, Microsoft argues that the claims of the ‘080 patent are invalid for obvious-type double patenting over claims 1, 4 and 6 of the ‘457 patent. Microsoft alleges that claim 1 of the ‘457 patent teaches a frequency transform and a masking threshold; claim 4 of the ‘457 patent teaches coding quantized frequency coefficients; and claim 6 of the ‘457 patent teaches an iterative rate loop. According to Microsoft, if all of these elements are combined, all that is missing is the teaching of an AHT, which was known to one of skill in the art.


Microsoft’s double patenting contention is problematic. The heart of double patenting encompasses the argument that two patents claim the same thing or an obvious variation of the same. General Foods Corp. v. Studiengesellschaft Kohle mbH, 972 F.2d 1272, 1280 (Fed Cir. 1992). The claims are compared as a whole, claim-by-claim, between the patents, “paying careful attention to the rules of claim interpretation to determine what invention a claim defines and not looking to the claim for anything that happens to be mentioned in it as though it were a prior art reference.” Id.

Here, Microsoft has done exactly what the Federal Circuit has forbidden: Microsoft

1 extracts "disclosures" from parts of claims 1, 4, and 6 of the '457 patent and amasses them
2 together to arrive at the '080 claims. Therefore, Microsoft has not met its burden to
3 demonstrate that the claims of the '080 patent when properly compared in their entirety are
4 the same method or an obvious variation of the '457 claims. Therefore, Microsoft's motion
5 for summary adjudication of double patenting is **DENIED**.

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7 **IT IS SO ORDERED**

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10 DATED: January 11, 2007


Hon. Rudi M. Brewster
United States Senior District Judge

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13 cc: Hon. Cathy Ann Bencivengo
14 United States Magistrate Judge
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